

COLLEGE AFFORDABILITY: TUITION PRICING AND STUDENT FINANCIAL AID

BACKGROUND

Among the many factors that influence the decision to participate in higher education, one of the most significant is affordability. Washington has a long tradition of making college generally affordable to residents by paying for much of the cost of higher education through state appropriations to public colleges and universities. This state investment substantially reduces the amount students and their families must pay for tuition. State-supported tuition is available to all Washington residents who qualify for admission to a public college or university, without regard to income or financial need.

Even with low tuition at the public institutions, however, many families do not have enough resources to cover tuition, books, and living costs.¹ To ensure that all academically qualified residents have the opportunity to go to college regardless of income, the state has a policy that "...financial need not be a barrier to participation in higher education" (RCW 28B.10.786).

Therefore, in addition to affordable tuition at the public institutions, the state also provides financial assistance to needy students attending both public and private institutions. Almost all state-funded financial aid is provided for individuals who could not otherwise afford to attend,

even with low tuition and assistance from federal and local financial aid programs.

National and Washington state research shows that low-income residents can enroll and persist to program completion only if sufficient financial aid – in an appropriate mix of grants, part-time work, and student loans – is available to make their attendance possible.² As tuition and other college costs increase, state funding for student financial aid – particularly for programs directed to low income students – must also increase.

TUITION AND FEES

The phrase "tuition and fees" refers to the charges that all students pay to attend a college or university. In Washington's public institutions, "tuition and fees" include several specific types of fees: operating fees, building fees, services and activities fees, and technology fees. The word "tuition" typically refers to all of these fees. It should be noted, however, that the statutory definition of "tuition" refers only to the total of operating and building fees.

Because of longstanding legislative and gubernatorial commitment to affordable tuition, Washington undergraduates pay slightly less than the national average for tuition and required fees at the state's two- and four-year public institutions.

¹ According to cost guidelines adopted by the Washington Financial Aid Association, tuition, books, and living expenses will cost an estimated \$10,700 at a community/technical college and \$12,600 at a public baccalaureate institution during the 2000-2001 academic year. The U.S. Department of Education estimates that the typical family of four would have to earn more than \$70,000 per year to cover these costs from current income.

² "Student Financial Aid and the Persistence of Recipients at Washington Colleges and Universities," JBL Associates, Inc. under contract with the Higher Education Coordinating Board, 1996.

However, among the 15 western states Washington resident undergraduate students pay:

- The second highest tuition and fees among students attending the research universities;
- The fourth highest tuition and fees among students attending comprehensive universities; and
- Significantly higher than average tuition and fees at community colleges.

The amount of tuition paid by undergraduate Washington residents during the 2000-2001 academic year is shown on the following table.

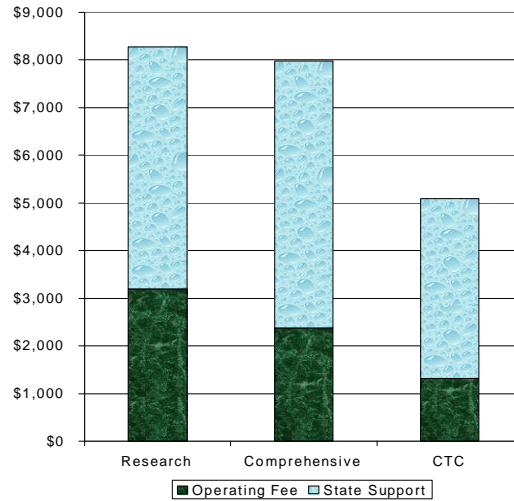
2000-2001 Resident Undergraduate Tuition (Operating Fee plus Mandatory Fees)	
University of Washington	\$3,761
Washington State University	\$3,658
Central Washington University	\$2,910
Eastern Washington University	\$2,826
The Evergreen State College	\$2,857
Western Washington University	\$2,864
Community/Technical Colleges	\$1,641

Student and State Share of Institutional Operating Costs

Operating fees, which represent the majority of student tuition, are locally retained. Institutions combine the revenue generated by operating fees with state appropriations, to pay for the cost of instruction.

Chart 1 shows, by type of institution, how much of the cost of undergraduate instruction per FTE is paid by student operating fees, and how much is paid from state appropriations to institutions.

Chart 1: Undergraduate Cost Per FTE - 2000-01



Tuition paid by resident undergraduate students currently covers 39 percent of the instructional costs at public research universities, 30 percent at public comprehensive universities, and 26 percent at community and technical colleges.

During the 1999-2001 biennium, appropriations from the State General Fund provide approximately \$2.3 billion for operating expenses at the state's public two- and four-year colleges and universities, and revenue from student operating fees provides about \$811 million.

Historical Overview

Between 1977 and 1995, the Legislature established tuition rates as a percentage of the cost of instruction. In 1995, the Legislature removed the direct link to the cost of instruction and instead set tuition in statute as dollar amounts for each institution. Tuition increases since 1995 have mirrored expected increases in the per capita personal income (PCPI), although a formal link to PCPI has not been established in statute.

Current Law: For the first time, in academic year 2000, the Legislature gave institutions limited local tuition-setting authority, within maximums set by the Legislature and the Governor. The 1999-2001 operating budget provided that institutions could increase tuition no more than 4.6 percent in the 1999-2000 academic year and no more than 3.6 percent in the 2000-2001 academic year.

Tuition Increases Over Time

The amount of tuition paid by Washington resident undergraduate students has increased significantly since the mid-1970s, and has exceeded increases in the state's average per capita personal income and inflation. Chart 2, below, illustrates the relationship between tuition and these other factors.

From 1977 to 1995, tuition grew faster than per capita personal income or inflation; after 1995 tuition has grown at the same pace as per capita personal income.

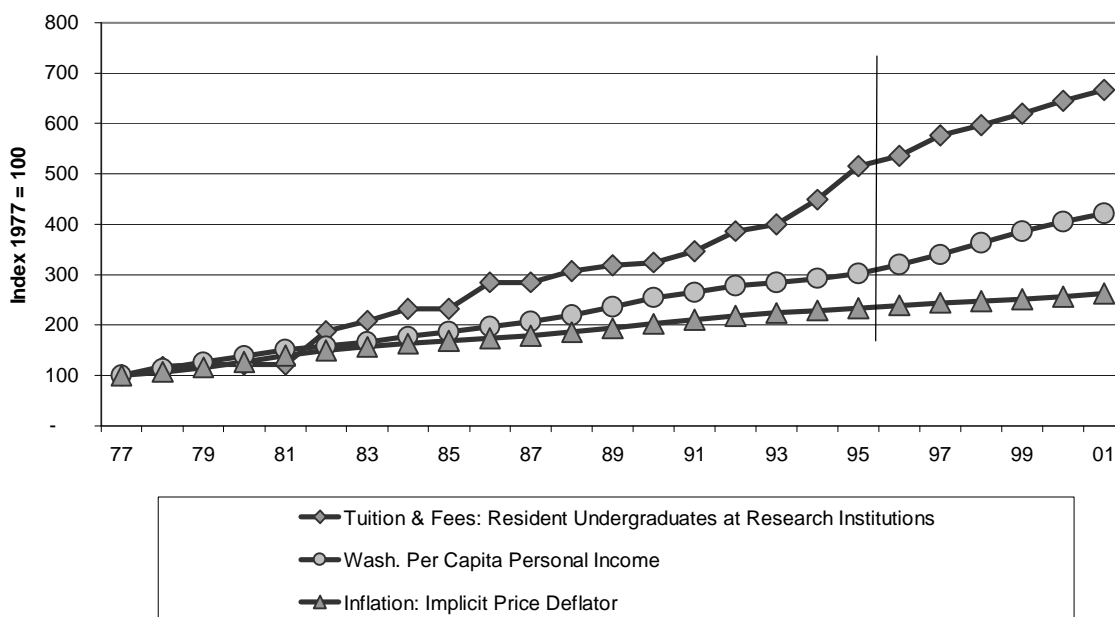
Higher Education Coordinating Board's Position on Tuition Pricing

In its 2000 Master Plan for Higher Education, the Higher Education Coordinating Board (HECB) reaffirms its commitment to a tuition policy that keeps public higher education student costs affordable and predictable. The Board urges the Legislature to approve legislation that links future increases in tuition at public colleges and universities to the rolling three-year average change in the state's per capita personal income, which is one indicator of ability to pay higher tuition costs.

STUDENT FINANCIAL AID

Washington's tuition and financial aid policies are closely linked. RCW 28B.15.065 states, "It is the intent of the legislature that needy students not be deprived of access to higher education due to increases in educational costs or consequent increases in tuition and fees."

Chart 2: Tuition Compared to Per Capita Personal Income and Inflation



The amount of funding needed for several state financial aid programs is directly related to tuition charges.

The state of Washington provides several programs of student financial aid for residents. Some of these programs reward academic merit or encourage study in workforce shortage areas. The greatest share of state financial aid, however, is provided as grant assistance to ensure that lower-income Washington residents have the opportunity to pursue the postsecondary program of study to which they aspire and for which they are qualified.

The HECB administers state programs of student financial aid, coordinating them with the larger federal aid programs to maximize state funds and to provide equity in the distribution of financial assistance. Approximately 60 percent of the total financial aid available to Washington students is in the form of federal student loans.

Each year, over 100,000 Washington students – about one in three students – require some amount of need-based grants, work-study and/or student loans to supplement the amount they and their families can pay toward college costs.

Some students require only a small amount of assistance, needing only a loan to help with cash flow, or a part-time job. Others, however, including the 53,500 low-income³ students who receive a State Need Grant, depend on a full complement of grants, work study, and loans to cover college costs.

³ In the 2000-2001 academic year, the income cut-off for State Need Grant eligibility is 65 percent of the state's median family income. The cut-off for a student from a family of four is \$37,500 or less.

While rising college costs affect students from all income levels, students from low-income families are particularly vulnerable. They are less likely to enroll and more likely to drop out than their more advantaged peers if grant aid doesn't offset cost increases. Therefore, it is critical that funding for the State Need Grant program, which serves the state's lowest income students, be increased to offset tuition increases for this population.

Higher Education Coordinating Board's Position on Financial Aid

The HECB's 2000 Master Plan for Higher Education encourages the Legislature, by 2003, to fund State Need Grants at levels that equal the resident tuition rates at Washington's public colleges and universities. The HECB's budget request seeks funding to serve applicants with family incomes up to 75 percent of the state's median family income. At this service level, the income cut-off for a family of four would be \$43,000.

KEY QUESTIONS ON COLLEGE AFFORDABILITY

- What is the appropriate balance among opportunity, affordability, and the quality of higher education?
- What is the appropriate balance between the amount of instructional costs paid by the state and by students?
- How should tuition be established? Should tuition rates be tied to personal income or to instructional costs? Or should it be set at whatever the market will bear?
- What link, if any, should exist between tuition increases and increased financial aid funding?
- How will tuition policy affect state enrollment policies?

Tuition and Student Financial Aid

Current Policy and 2001-2003 Budget Recommendations

Higher Education Coordinating Board and the Governor

	Current Policy	Higher Education Coordinating Board	
Tuition	In 1999-2001, the state operating budget provided maximum tuition increases of 4.6 percent in 1999-2000 and 3.6 percent in 2000-2001, which were linked to growth in state per capita personal income; institutions were granted limited tuition-setting authority up to these maximums.	Link tuition increases to the rolling three-year average rate of change in the state per capita personal income (PCPI). The maximum increase for the 2001-2002 academic year is 4.9 percent; for the 2002-2003 academic year the maximum increase is 3.9 percent, based on the November economic forecast.	The institutional rates. Tuition for undergraduate students increased 4.9 percent per year from 1999-2001, which is above the limits on tuition increases for students. Tuition (SB 5770/H
State Need Grant	Grants available to assist low-income Washington residents who attend participating institutions. Funding is provided through state appropriations and matching monies from the federal government. Grants are provided to approximately 53,500 eligible students with family incomes of up to 65 percent of the state's median family income (\$37,500 for a family of four).	Cut in half the gap between current award levels and full public-sector tuition and fees. Also, extend eligibility for the State Need Grant to students whose family income is less than 75 percent of the state median family income (\$43,000 for a family of four). Cost: \$33.2 million	Increase eligible enrollments from families with state's median family income to higher educational rates. For a portion of the State Need Grant: Need Grant: 2001. Cost:
State Work Study	Financial assistance to needy students through career-related part-time employment. Funding is provided through state appropriation paired with an employer match. Awards averaging \$1,675 per year are given to 9,500 students.	Increase the number of students served by this financial aid program from 9,500 to 11,500 and support an increase in average earnings from \$1,675 to \$1,825 per year. Cost: \$7.5 million	No enhancement
Promise Scholarship	A two-year scholarship for up to the cost of tuition at a community college is awarded to students who either graduate in the top 15 percent of their high school class or score 1,200 or above on the SAT on the first attempt. A recipient's family income cannot exceed 135 percent of the state's median family income.	Fully fund so that all eligible students receive a scholarship equal to community and technical college tuition and fees. Cost: \$6.3 million (recalculated based on new information)	Fully fund the scholarship college tuition (based on ex